



Amy G. Rabinowitz
Counsel

February 26, 2004

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

**Re: Status of the Estimated Standard Offer Service Deferral Balance and
Standard Offer Service Fuel Adjustment Surcharge, D.T.E. 00-67.**

Dear Secretary Cottrell:

In response to a recent request made to Massachusetts Electric Company ("Mass. Electric" or the "Company"), Mass. Electric is providing the following information in order to update the Department on the status of its estimated Standard Offer Service deferral balance at year end 2004 along with an evaluation of the Standard Offer Service Fuel Adjustment ("SOSFA") surcharge in light of the estimated deferral balance.

Based on fuel oil and natural gas prices from the last week of January 2004, it appears that the current SOSFA surcharge is adequate at this time. In arriving at this conclusion, the Company estimated its Standard Offer Service deferral balance assuming these fuel prices and the implementation of the SOSFA throughout the remainder of 2004. The result of the Company's analysis is the following estimated deferral balances as of the end of the applicable quarter:

December 2003	\$9.0 million under recovery
March 2004	\$15.2 million under recovery
June 2004	\$10.5 million under recovery
September 2004	\$10.5 million under recovery
December 2004	\$3.0 million over recovery

Mass. Electric also prepared an analysis of the sensitivity of the SOSFA to changes in the market price of fuel oil and gas, as well as an estimate of the Standard Offer Service deferral balance as a result of such changes. In this analysis, and in response to the Department's specific request, there would need to be a 27% reduction in fuel costs (both oil and gas) immediately for the Company to stop incurring fuel index payments. However, with the application of the 12-month rolling average in the determination of fuel index payments, Mass. Electric would continue to make fuel index payments on a going-forward basis as the older, higher fuel prices wind their way out of

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the formula. The estimated quarterly Standard Offer Service deferral balance in this case would be:

December 2003	\$9.0 million under recovery
March 2004	\$14.1 million under recovery
June 2004	\$0.4 million over recovery
September 2004	\$21.3 million over recovery
December 2004	\$55.5 million over recovery

In this case, Mass. Electric would be able to terminate the SOSFA before the end of the year.

Obviously, these Standard Offer Service deferral balance estimates are all subject to change as the fuel markets move. However, the amount of change is likely to be within the range defined by the examples above (or if fuel prices increase, such a change could result in an even larger deferral balance). In any case, based on these estimates, and not anticipating any large downward swings in fuel prices, Mass. Electric believes it is reasonable to assume that maintaining the SOSFA at its current level for the remainder of the year (or higher, if fuel costs so warrant) is possible, and the Company doesn't anticipate the need to reduce the SOSFA.

As discussed previously with the Department, Mass. Electric will work to inform the Department on a more formal basis as to the status of the estimated Standard Offer Service deferral balance.

Thank you very much for your time and attention to this matter.

Very truly yours,



Amy G. Rabinowitz

cc: Ron LeComte, Department of Telecommunications and Energy
Barry Perlmutter, Department of Telecommunications and Energy
Jeanne Voveris, Department of Telecommunications and Energy
Joseph Rogers, Office of the Attorney General
Service List